

9 March 1957

MEMORANDUM FOR: Deputy Director/Intelligence

SUBJECT: The Polish Trade Discussion

1. In the pre-session discussion today, there was an indication by the leader of the agricultural panel, Mr. Gordon Frazier, that staff people in agriculture were exploring certain avenues which might make possible a much larger deal in surplus commodities than was outlined in the position papers without prejudicing any of the originally agreed restrictions. He indicated a figure of almost \$60 millions. He indicated deals through third countries might be arranged; and, in view of the present state of the talks and German interest in a German loan to Poland, State was to contact the German embassy to get a more detailed indication of German interest and their reaction to a third country status on the U.S.-Poland negotiation.

2. This has been the first indication of anything more than a \$25 millions loan, agricultural surpluses and everything else in. Although the Poles could go to the banks, little would be likely to be forthcoming if they could not get a more substantial loan from the government.

3. The fifth agenda item, U.S. export of printed matter and films, was presented by the U.S. We would export such material up to \$500,000 in value for zloty if an equitable exchange rate could be achieved,

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i.e. the existing 24-1 rate might serve. The Polish Chairman thought such an arrangement would work out well. He did evidence concern as to the use to which zloty funds thus earned might be put. He hoped that Poland might expect to export like commodities to the U.S., an arrangement which the Polish embassy has already proposed. It was agreed that Poles would study a sample agreement of this sort and discuss it later with the associated problems of the exchange rate and American use of zloty from such exports.

4. Items 6 and 7 dealing with duties on gift parcels and the status of charitable organizations were treated together in the U.S. presentation. We asked the elimination of duty on gift parcels and freedom of reinstitution of certain American charitable organization in Poland. The Poles objected that American tariffs on gift parcels was higher than theirs, moreover that many of the parcels contained goods for resale by the recipients. The Poles insisted that they had no objection to philanthropy, e.g. CARE, but that they would want certain participation in the distribution. Many of the people receiving gifts have no need for the gifts. The Polish Chairman said used clothing duties were being considered for elimination, that he would propose to his government exemption of duty on some minimum value gift (comparable to U.S. \$10 exemption). Poles would like to see assistance in the form of simple tools and machines to support handicrafts, also medicines and hospital supplies. Distribution

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programs and charitable organizations should go to Warsaw, which is where they'll have to operate. If their object is charity, he thought that satisfactory working arrangements might be worked out. Additional discussion of an informative nature will be exchanged and certain suggestions may be passed to the Polish government, charitable organizations should go directly to Warsaw.

5. The Poznan Trade Fair participation will be discussed during the Department of Commerce soiree next Tuesday afternoon.

6. Agenda item 9, Polish-American trade relations, was presented by the Polish Chief Delegate. He reviewed the history of this exchange under the 1931 agreement which was terminated by the U.S. He then referred to the institution of strategic trade controls and Poland's prominent place among the countries denied goods under these acts. He viewed the discussions thus far as not apparently favorable enough to offer hope for the sort of relationship Poland wanted. Was there any prospect the U.S. might modify its attitude on the licensing requirements? The U.S. Chairman hoped that we might make a start toward better relations. He thought both parties had reason to approach the negotiations with restraint. The U.S. would like to make a start here and then observe its result before deciding our course. The U.S. indicated review of Polish license requirement was in progress, some results of this review may be operative before all trade discussions are concluded.

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7. The Poles next presented Agenda Item 10 dealing with U.S. restriction of payment on social security and veteran benefits owed to Polish citizens. The Polish Chairman assumed that, since Poland has revalued the zloty, no present deterrent to the resumption of payments exists. The U.S. Chairman pointed out that Polish interception of beneficiaries' mail and harassment of beneficiaries in their contacts with U.S. officials, contacts necessary to comply with legal requirements to assure many of the payments, had finally prompted the U.S. to stop payments in 1951. The U.S. side would need assurance from Poland that beneficiaries would be free in their official communications with U.S. consular representatives to resume payments. The Polish Delegation thought such assurances could be obtained.

8. The Poles reported on other negotiations in progress. They had approached Canada for 150,000 MT of wheat and actually bought. (We heard from Canada that they would probably sell more to the Poles than previously which rather questions the Polish allegation on original negotiation.) Additional negotiations with France are in progress but negotiations are not far enough along to give any assurance of a deal.

9. The Polish Delegation will visit New York on Monday, probably to talk to banks and private trading companies. They will be at Commerce

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on Tuesday for sessions on trade promotion and at the Federal Reserve Bank on Wednesday for a presentation on the American economy. The next formal session of the talks will be on Thursday, 14 March 1957.

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